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OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7316

BILL NUMBER: HB 1009

NOTE PREPARED: Mar 22, 2021

BILL AMENDED: Feb 16, 2021

SUBJECT: TANF Program.

FIRST AUTHOR: Rep. Goodrich

FIRST SPONSOR: Sen. Ford Jon

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: *Income Disregard:* The bill provides that for purposes of the Temporary Assistance for Needy Families (TANF) program, income earned by a certain individual in the household who is participating in or pursuing a postsecondary degree, workforce certificate, pre-apprenticeship, or apprenticeship may not disqualify an eligible household from receiving benefits, and may not be considered in determining the amount of assistance.

Earned Income Tax Credit (EITC): The bill increases the state Earned Income Tax Credit (EITC) to an amount equal to 10% (instead of 9%) of the federal EITC that an individual claimed for a taxable year.

Effective Date: Upon passage; July 1, 2021; January 1, 2022;

Explanation of State Expenditures: *Income Disregard:* The number of Temporary Assistance for Needy Families (TANF) eligible recipients and continuing eligible recipients will increase with the disregard of certain earned income. TANF provides both cash assistance and support services, with expenses shared between the federal block grant matched with state funds. To the extent that more households receive cash benefits, the use of federal funds under the TANF Block Grant may change or state spending (in a future biennium) may change. The changes to eligibility and spending may depend on the federal approval of the state TANF plan.

Department of State Revenue (DOR): The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the changes made by the bill. The DOR's current level of resources should be sufficient to implement these changes.

Additional Information - TANF: State law sets the eligibility income level at about 13% of the federal poverty level (FPL), based on family size. The state maximum benefit level equates to about \$288 a month for a family of three (one adult and two children) after the 10% payment reduction also specified in state statute. For students, the DFR is to disregard up to \$15,000 earned from pursuit of postsecondary degree, workforce certificate, pre-apprenticeship, or apprenticeship in determining income eligibility. The impact of the disregard on benefits and additional caseload is indeterminate.

TANF recipients receive other noncash benefits and support services including priority for child care grants. Also, programs that defer to TANF enrollment as a criteria for eligibility or count TANF recipients in the calculation or allocation of benefits, such as the K-12 tuition support formula, will have increased costs if more people are eligible for TANF.

A 50-state analysis of the six-year period from 2014 to 2019 found that TANF caseloads were declining in most states. Changes in TANF caseloads appeared to be unrelated to changes in income eligibility levels. In Indiana, the number of households receiving TANF decreased from 2014 to 2019. Different eligibility criteria, including applicant job search requirements and lifetime limits on benefits, also impact the total number of families participating in TANF cash benefits. However, beginning in 2020, the TANF caseload grew during the COVID-19 pandemic. The extent to which these increases will remain and could impact total caseloads is yet unknown. Due to lifetime limits, increases in caseloads now may not translate to continued increases over the long-run.

Use of TANF Block Grant and State Maintenance of Effort: Under TANF rules, states have the authority to transfer up to 30% of any grant to the Social Security Block Grant or the CCDF. The transfer of TANF funds to the CCDF would take precedence over any future increase in cash assistance. [Indiana transfers federal TANF Block Grant money to the CCDF before any other expenditures are made. In recent years, this transfer has been at the maximum amount allowable, or \$61.8 M in 2019.]

The federal block grant may be carried forward for use in another year. The state is required to spend a certain amount for maintenance-of-effort in order to receive the federal block grant. Spending that exceeds the available federal block grant would have to come from state funds.

Table 2 - Estimated Amount of Federal TANF Funding Available to Indiana, 2019	
TANF Federal Block Grant to Indiana	\$206.1 M
State Maintenance of Effort	118.6 M
Carryover	64.7 M
Total	392.4 M
Less: Funds Used and Obligated	351.9 M
Federal Funds Available	\$40.5 M

Explanation of State Revenues: *Earned Income Tax Credit (EITC):* The bill increases the Indiana EITC amount from 9% to 10% of the federal EITC as it was computed under federal law before being amended by the *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010* (P.L. 11-312).

The credit amount depends on the number of qualifying children and the household modified adjusted gross income. The provision is effective beginning in tax year 2022, so it will impact state General Fund revenue beginning in FY 2023. The bill is estimated to reduce state General Fund revenue between \$10.5 M and \$12 M a year beginning in FY 2023.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DFR; DOR

Local Agencies Affected:

Information Sources: <https://fas.org/sgp/crs/misc/RL32748.pdf>; <https://fas.org/sgp/crs/misc/RL32760.pdf>; <https://www.acf.hhs.gov/ofa/resource/tanf-financial-data-fy-2019>; https://www.in.gov/fssa/files/MMR-STATEWIDE-en-us_September_2020.pdf; LSA Income Tax Database; 42 USC 604 (d); <https://www.ssa.gov/cola/>; US Census. https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_17_5YR_DP03&src=pt; <https://www.acf.hhs.gov/ofa/programs/tanf/data-reports>; https://www.bea.gov/sites/default/files/2020-09/spi0920_0.pdf; <https://data.census.gov/cedsci/table?g=0400000US18&d=ACS%205-Year%20Estimates%20Data%20Profiles&tid=ACSDP5Y2018.DP03>.

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